

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2006-157-G - ORDER NO. 2006-553
SEPTEMBER 27, 2006

IN RE:	Application of South Carolina Electric and)	INITIAL ORDER ON
	Gas Company to Have the Terms of the)	APPLICATION OF THE
	Natural Gas Rate Stabilization Act Apply to)	NATURAL GAS RATE
	the Company's Rates and Charges for Gas)	STABILIZATION ACT
	Distribution Services		

I. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (the Commission) pursuant to S.C. Code Ann. Section 58-5-455, a portion of the Natural Gas Rate Stabilization Act, as related to South Carolina Electric and Gas Company (SCE&G or the Company). Order No. 2005-619 established a baseline for the Company under the Act. Section 58-5-455 sets out a procedure for the handling of monitoring reports under the Act related to the quarter ending March thirty-first.

Briefly, under Section 58-5-455 the Company files the monitoring reports with the Commission and the Office of Regulatory Staff (ORS). Parties may comment on the reports. Where it appears to the Commission or ORS that an adjustment in rates may be warranted, ORS shall conduct an audit of the monitoring report and specify any changes that it determines are necessary to correct errors in the report or to otherwise bring the report into compliance with the statute. Parties may comment on the ORS audit. On or before October 15, the Commission shall issue an initial order setting forth any changes

required in the utility's request to adjust rates under the statute. Any gas rate adjustments authorized under the terms of the statute shall take effect for all bills rendered on or after the first billing cycle of November of that year. This present order is the "initial order" contemplated by S.C. Code Ann. Section 58-5-455 for SCE&G.

Pursuant to the South Carolina Natural Gas Rate Stabilization Act ("Act"), SCE&G submitted its quarterly monitoring report for the twelve-month period ending March 31, 2006, as well as the required revenue deficiency calculations and proposed changes to its tariff rates necessary to permit SCE&G the opportunity to earn the rate of return on common equity established in its last general rate case as specified in Section 58-5-420(1).

According to its Application, SCE&G indicated that \$18,175,727 in additional revenues is required to permit SCE&G the opportunity to earn a rate of return on equity equal to the approved rate of return on equity adopted in Docket No. 2005-113-G, SCE&G's last general rate case.

The Office of Regulatory Staff (ORS) conducted a review of SCE&G's Monitoring Report for the twelve-month period ending March 31, 2006, to evaluate compliance with Section 58-5-430 and Section 58-5-440 of the Act. The ORS proposed certain adjustments to reported amounts to bring the report into conformance with those Sections. As a result of these adjustments, the ORS calculated the as adjusted return on rate base and return on common equity to be 5.43% and 4.62%, respectively, and proposed that, in accordance with guidelines of the Act, the Company is entitled to an increase in rates and charges sufficient to achieve a return on common equity of 10.25%

authorized in their most recent rate case. Accordingly, ORS recommended that the Company's increase be reduced by \$738,333, resulting in an increase to revenues of \$17,437,394. After the proposed increase, the Company's return on rate base and return on common equity would be 8.52% and 10.25%, respectively.

SCE&G filed written comments advising the Commission that it had no objection to or comments on the findings and adjustments reflected in the ORS Audit Report. Additionally, SCE&G filed proposed rates and charges reflecting the findings of the ORS Audit Report.

We have examined the accounting and proforma adjustments proposed and agreed upon by the parties, and we take no exception to them.

III. FINDINGS AND CONCLUSIONS

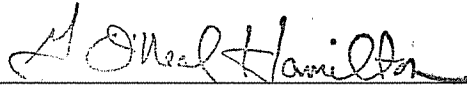
1. S.C. Code Ann. Section 58-5-455, a portion of the Natural Gas Rate Stabilization Act, requires the filing of certain documents and the issuance of this Initial Order.
2. Changes are required to the Company's request to adjust rates.
3. ORS has suggested certain changes to which SCE&G does not object, as outlined above. Based on the accounting adjustments, an increase of \$17,437,394 is appropriate.
4. This Commission has found no other changes appropriate or necessary other than those agreed to by the parties.

5. This Commission adopts the changes and adjustments proposed by the parties and the resulting rates and charges, said rates and charges being attached hereto as Exhibit A.

6. The rates shall be effective for bills rendered on and after the first billing cycle in November 2006.

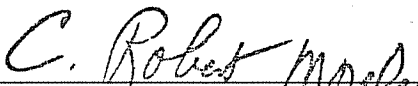
7. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



G. O'Neal Hamilton, Chairman

ATTEST:



Robert C. Moseley, Vice Chairman

(SEAL)

EXHIBIT A

**SOUTH CAROLINA ELECTRIC AND GAS COMPANY
PROPOSED REVENUE CALCULATIONS
2006 RSA**

Rate	Proposed Rate	Proposed Revenue
Residential Service		
Value - 32V		
Bills - Year Round	\$8.95	\$11,859,865
Therms - Year Round	\$1.59296	\$104,056,651
Standard - 32S		
Bill - Winter	\$9.95	\$9,127,418
Bills - Summer	\$7.95	\$6,990,572
Therms - Year Round	\$1.65296	\$94,953,747
B32 - Gas A/C		
Bills - Year Round	\$8.95	\$3,741
Therms - Year Round	\$1.39843	\$30,809
36 - Street Lighting		
Bills - Year Round	\$0.00	\$0
Therms - Year Round	\$1.56069	\$107,861
Total Proposed Revenue - Residential		\$227,130,664
Commercial Firm Service		
Small General Service - 31		
Bill - Winter	\$16.80	\$2,058,655
Bills - Summer	\$12.63	\$1,518,717
Therms - Year Round	\$1.60567	\$36,502,236
Medium General Service - 33		
Bills - Year Round	\$23.39	\$1,483,838
Therms - Year Round	\$1.55567	\$88,061,213
A31 - Gas A/C		
Bills - Year Round	\$14.72	\$368
Therms - Year Round	\$1.25354	\$68,600
B31 - Gas A/C		
Bills - Year Round	\$14.72	\$530
Therms - Year Round	\$1.60567	\$25,118
Total Proposed Revenue - Commercial Firm		\$129,719,274
Industrial Firm Service		
Large General Service - 34		
Bill - 1st 50 Dekatherms	\$519.00	\$342,689
Bills - Per Dekatherm Over 50	\$6.53	\$104,485
Therms - Year Round	\$12.64498	\$6,547,975
Firm Transportation with Standby - 35		
Bill - 1st 50 Dekatherms	\$519.00	\$523,954
Bills - Per Dekatherm Over 50	\$6.53	\$467,649
Bills - Standby - All Dekatherms	\$6.00	\$361,154
Therms - Year Round - Transport	\$1.34948	\$1,434,742
Therms - Year Round - Standby	\$12.64498	\$7,015,584
G34 - Gas A/C		
Bills - Year Round	\$0.00	\$0
Therms - Year Round	\$1.36687	\$137,165
Total Proposed Revenue - Industrial Firm		\$16,935,396